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## THE SOVIET WORLD

The continuity of Moscow's widely coordinated peace offensive in both Europe and Asia was sharply interrupted last week by two uncontrolled events -- the East German riots and the Korean prisoner of war release. In an effort to salvage Communist prestige, Pravda linked both together as American attempts to hinder the reduction of world tension.

What effect the riots which began on 16 June will have on the new Soviet tactics in East Germany is still unclear. A letter from the Soviet commander to his American counterpart in Berlin accused Western representatives of responsibility for the "crimes of the hirelings-provocateurs of war." Included with the letter was the purported text of an interrogation of a prisoner from the US sector of Berlin who "admitted" taking part in a plan to turn the peaceful demonstrations into riots, under the direction of an American two-star general.

The Communists announced that foreign planes had parachuted saboteurs into the Soviet zone of Germany and admitted that quiet had not yet been entirely secured. Official announcements that strikes and demonstrations had ended in specific cities in effect gave further official confirmation to the widespread reports of continued disturbances.

A Moscow broadcast to Soviet troops in East Germany on 21 June warned that the current situation heightens the need for "vigilance" against the machinations of "imperialist intelligence services" which seek to undermine the USSR and its armed services. Pravda used a similar theme in its lead editorial on the same day calling for "vigilance" inside the USSR against the agents of American intelligence.

With the exception of Rumania, all the Satellites, after maintaining complete silence on the riots for almost 48 hours, reported the East German version. The uniformity of the propaganda, both in timing and content, clearly indicated Moscow instruction and coordination. News of the riots was not apparently accompanied by popular demonstrations or increased security measures in the Satellites.

In the Far East, Peiping was quick to charge US perfidy in connection with the release of North Korean prisoners and to demand their recapture, but Moscow has not as yet commented. This is consistent with Soviet policy of abstaining from comment

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on Panmunjom developments, thereby avoiding direct identification with the war.

The USSR, however, has made clear its interest in conditions for the "unification" of Korea following a truce. On 11 April, Pravda stated that a peaceful settlement should permit the Korean people "to decide for themselves the question concerning unification and the internal arrangements of the Korean state."

The present Chinese propaganda line was reflected in the Peiping Peoples' Daily of 9 June. The official Chinese news not only announced Chinese readiness to negotiate for Korean unification at the political conference following a truce but identified such unification as "the object" of these talks. The Communists might be planning at the conference to suggest an all-Korean coalition with Soviet bloc support.

At Panmunjom the Communist statements suggest willingness to conclude a truce either with or without South Korea. Realizing that either course of action would be difficult for the UN Command to carry out, they are awaiting developments between the UN and Syngman Rhee. They seem to prefer to a genuine truce a situation of increasing hostility between the UN allies and South Korea.

If the truce is to include South Korea, the Communists ask assurances that the UN Command can and will control Rhee. They further demand, in this event, the recovery of the released prisoners, although they may choose not to press this. On one hand, Rhee's action has given the Communists a face-saving explanation for any failure to induce these prisoners to be repatriated. On the other, the Communists could persist in this demand in order to force the UN toward the alternative which the Communists probably prefer -- that is, a truce excluding South Korea.

In the latter event, the Communists seek assurances that the UN Command can actually implement the truce. They are aware that this course might prove much more advantageous to them than a common American-South Korean front, and might lead to armed conflict between South Korean and other UN forces. It could also conceivably result in the withdrawal of UN forces from Korea, thus leaving Rhee vulnerable to Communist political and military efforts toward "unification."

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## SOVIET POLICY TOWARD GERMANY

The sudden suspension of the East German socialization program and the establishment of civilian control are merely tactical moves and do not presage basic changes in the Soviet policy of consolidating control in East Germany. The unprecedented show of East German resistance beginning on 16 June may result in a more cautious approach to measures granting political freedom, although economic reforms probably will continue.

It appears that the changes were not solely, or even chiefly, carried out to influence the West. There are fundamental reasons why the socialization process had to be arrested. The speed-up in this program since July 1952 had resulted in an increasing horde of refugees into West Germany, serious shortages of food and consumer goods, and an apparently dangerous degree of resentment throughout the population. Moreover, the suspension of the program represents a slowdown and not a renunciation of the basic plan to "Sovietize" the Eastern zone.

In addition to the internal motivation, however, the steps were specifically intended to raise West German hopes of unity and thus can also be looked upon as designed to divide and relax Western defense efforts. Although the riots and their ruthless suppression have severely weakened the propaganda effect of the changes, the Kremlin may be expected to exploit the concessions as steps toward German unity, once order has been restored.

The riots clearly demonstrate that the maintenance of control in East Germany is dependent on the presence of Soviet forces. Civilian control still has not been re-established and resistance has spread to other East German cities. The Communist government has already announced additional economic concessions designed to appease the rebellious population, but runs the risk that these may be looked upon as a sign of weakness and may simply increase resistance.

In the exchange of notes of a year ago, the USSR demonstrated that it was unwilling to make any concessions that would involve the loss of its vital economic and strategic interests in East Germany. In the fourth and last note of August 1952 Moscow reiterated its proposals to discuss a peace treaty first, then the formation of an all-German government, and finally free elections. The major Pravda editorials of

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April and May, as well as Soviet and East German propaganda, give no indication that the USSR is prepared to change its position.

Thus while there is no reason to believe that the basic Soviet policy has changed, the new flexible tactics may include further Soviet diplomatic approaches on German unity. The USSR could propose, for example, the simultaneous discussion of both free elections and a peace treaty. It is possible, also, that a move will be made toward opening discussion on the High Commission level, a step that has been facilitated by the recent establishment of the Soviet High Commission.

American officials in Germany fear that the Soviet Union may propose a so-called "Austrian solution" whereby it would allow a united Germany to have free elections while indefinitely forestalling a peace treaty. Such a maneuver would mean a sacrifice of the Communist-led government but would enable the USSR to maintain its military position in East Germany.

The Soviet Union might also set up a new government in East Germany including politicians not directly identified with the SED. Such a government would be more acceptable to the West in the event of talks on German unity and would give the impression of a definite change from the repressive programs associated with the ruling Socialist Unity Party. The individual most frequently mentioned as the future head of such a government is Hermann Kastner of the Liberal Democratic Party, former deputy minister president, who has been kept in the background for the past three years. While such a change would remove some of the odium which the West Germans associate with the East German government, the new leaders would still be regarded as hirelings of the Soviet Union.

The serious lag in Western defense plans reduces pressure on the Soviet Union to make realistic proposals for German unity. As a follow-up to the new measures in East Germany, it may be expected that the Communist unity theme will be stepped up, possibly supported by proposals designed to gain the maximum propaganda advantage and force negotiation on Soviet terms. The East German disorders seem, however, to have weakened the Soviet bargaining position temporarily and limited the scope of proposals the USSR can offer.

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THE EFFECT OF THE RECENT EAST GERMAN EVENTS IN  
THE FEDERAL REPUBLIC

The threat to the Bonn coalition raised by the liberalization measures proclaimed in East Germany on 11 June has been largely cancelled out by the methodical suppression of the Soviet zone riots which followed within a week. The now discredited East German puppet regime has lost its usefulness as a mouthpiece for Soviet unity proposals, and the Kremlin itself will probably have to concede on the free election issue if it wants to defeat the Adenauer government and Western European integration programs. Nevertheless, these developments have stimulated widespread demands in West Germany for immediate four-power talks, which Chancellor Adenauer desires to defer until after the September elections.

When the East German politburo suddenly announced far-reaching changes in its collectivization and anti-church policies, the West German press adopted a cautious view and took the position that it was yet too early to determine East German intentions. Bonn government leaders voiced strong suspicion of the Communists' motives, but the leaders of the opposition Social Democratic Party saw their unity platform taking on new life.

Despite the party's earlier adherence to a parliamentary resolution demanding that any all-German government be free to form alliances, the East German reforms reportedly prompted a powerful faction in the party to disavow this resolution on 14 June and support a new concept of German neutrality. The faction drafted a unity formula based on free elections and limited rearmament, with the country's neutrality to be guaranteed by nonaggression pacts underwritten by the major powers. Despite the contrary views of party moderates, there was a good possibility that further East German conciliatory gestures would result in the party's adopting an all-out neutralist stand.

That the East German administration contemplated shaking the Adenauer government by a series of maneuvers focused on unity appears evident from the 17 June policy statement of Max Reimann, chairman of the West German Communist Party. He called for a series of early meetings between East and West Germans on specific matters such as interzonal trade and border restrictions. Such meetings, he said, would engender mutual goodwill and lead to a governmental-level East-West German conference on free elections and the formation of a unified government.

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While Reimann spoke, riots were in progress in East Berlin. The courage of the rioters evoked in West Germany an immediate surge of national feeling, strong appeals for unification, and bitter condemnation of the East German and Soviet regimes. At a special parliamentary meeting on 17 June Adenauer hailed the rioters, and again demanded that unity be achieved on the basis of free elections, resolution of all border problems, and freedom of the unified government to join alliances. His statements were widely acclaimed, even by the Social Democrats, and it was apparent that West German attention was firmly riveted on the chief problem of unity -- free elections under international supervision.

The reaction in West Germany to the measures used in putting down the riots has been such that the range of tactics which the USSR can use against the Bonn government is now reduced. The present East German government has been so thoroughly discredited that no responsible West German will meet with its representatives. Further Soviet efforts to sway the West German populace against EDC and the Bonn coalition are likely to fail unless the USSR itself approaches the Allies and commits itself on free elections -- which the riots have shown would be disastrous for East zone Communists.

Meanwhile, however, the reawakening of West German interest in unity has in Adenauer's own view placed his party in a compromising position for the September elections. The chancellor is aware that a general Soviet offer to negotiate German unity could be rejected by the Allies only with considerable difficulty, and that an offer ostensibly accepting the principle of free elections under international supervision could not be rejected without alienating the West German populace. He would, however, like at all costs to avoid four-power talks just prior to the elections lest his foreign policy accomplishments be overshadowed by Social Democratic unity arguments at the polls.

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## FREE WORLD REACTIONS TO THE PRISONER RELEASE

Except for Nationalist China, the free nations have generally condemned President Rhee's release of North Korean anti-Communist prisoners. Most of the anti-Communist governments assume that a truce is still possible, but fear that the negotiations may collapse and that the principle of collective security may become discredited.

Among the members of the proposed Neutral Nation Supervisory Commission, Sweden presumes that a truce on the present terms will be effected. It has, therefore, despatched its advance party to Korea as scheduled.

India has also confirmed its intentions to serve, although there are Indian press editorials condemning Rhee's action, calling some American decisions in Korea "inept," and clamoring for strong UN action to control Rhee.

Switzerland, after first indicating it would reconsider its position in the light of Rhee's action, has now agreed to send its initial delegation.

In Western countries with troops in Korea, reaction to the release has generally been confined to expressions of opinion that it may delay, hamper, or wreck a truce. Rhee's action has aroused what the American embassy in London calls "very grave" official concern, and the British government has sent a vigorous note to Rhee condemning his "treachery." France also has officially informed South Korea of its disapproval. Australia's external affairs minister said on 19 June that he greatly deplored the prisoners' release but hoped that Rhee would still play a "loyal part" in the combined effort in Korea.

While the attitudes of other Western countries have not been specifically stated, South Korean prime minister Paek Tu-chin told Ambassador Murphy, upon returning from Europe, that his government could expect no European support in the future and that it must now depend solely on the United States.

The only comments favorable to Rhee except for Nationalist Chinese have appeared in some of the Thai, Vietnamese, and independent Philippine press. A pro-Quirino newspaper in Manila, however, criticized the action as "short-sighted" and as endangering both the "shelter" of small nations and the principle of collective security.

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Brazilian UN delegate Muniz said that further measures of this kind by Rhee would create divisions within the free world which could only benefit the Communists. Referring to the Korean effort as the UN's first collective action against aggression, he said that if things went on as they are now, "no country would ever again be willing to contribute its forces" to similar international efforts.

In sharp contrast to the rest of the anti-Communist world, Chinese Nationalist leaders have strongly sympathized with Rhee's antitruce stand and particularly the prisoners' release. Many Nationalist leaders have cabled congratulations to Rhee and the press is now calling for the release of the anti-Communist Chinese prisoners as well.

Support for Rhee among Chinese Nationalists, despite Formosa's dependence on the US, is due in part to Taipei's fear that a postarmistice political conference will discuss China's UN membership and the status of Formosa. It also results from a belief that any hope of recovering the mainland depends directly upon expanded hostilities in the Far East.

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## THE QUESTION OF A TRUCE IN INDOCHINA

Although progress in the Korean truce negotiations has given rise to speculation that the Indochina war might be ended by similar means, none of the parties concerned has given any indication of a real desire for a truce. Moreover, the technical difficulties of imposing a cease-fire line where no front line exists make it difficult to apply the Korean formula to Indochina.

The governments most directly concerned with a possible truce in Indochina are France, Vietnam, the United States, the Viet Minh, Communist China and the USSR. On the Communist side there has been no indication that a truce would be welcome. On the side of the free world, the Vietnam government has repeatedly declared itself opposed to negotiations with the Viet Minh. Though the French government is also on record as opposing negotiations, it has come under increasing pressure from its parliament to cut losses in Indochina.

There are at least two possible approaches to negotiations. One would be negotiations with the Viet Minh, with the accompanying connotation of defeat. The other would be negotiations with the Chinese Communists with a view to somehow isolating and destroying the Viet Minh, a course of action which French officials regard as highly desirable but which would have no hope whatever of success.

The growing strength of the French parliamentary faction favoring a negotiated settlement was clearly demonstrated on 4 June by the near-investiture as premier of Pierre Mendes-France, a long-time advocate of a drastic reduction in French commitments in Indochina. It is nevertheless doubtful that any responsible leader of the French government could carry parliament on an explicit proposal to negotiate with the Viet Minh.

In the unlikely event that the French government were to seek a truce with the Viet Minh it would be obliged, in order to avoid the charge of betrayal, to obtain the concurrence of the Vietnam government. Vietnamese leaders, however, acutely aware that their army is no match for the Viet Minh, would scarcely endorse negotiations that might lead to the early withdrawal of French forces. Only in the event that the Vietnam government should gain a military preponderance and could hope to isolate the Viet Minh leadership from the predominantly nationalist rank and file, would it be prepared to accept a truce.

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Viet Minh propaganda has occasionally referred to the desirability of peace in Indochina, but this appears to have been designed merely to weaken the French will to resist, since the basic condition for negotiations has always been the complete withdrawal of French troops. There is no apparent reason to infer that either the Viet Minh, Communist China, or the USSR desires a cease-fire in Indochina.

The situation is further complicated by the absence of a well-defined battle line which could readily be used as the basis for a cease-fire line. Viet Minh forces, although strongest in Northern Vietnam, are deployed throughout the center and south and, to a lesser extent, in Laos and Cambodia. Even if a cease-fire on the basis of present dispositions were acceptable to both sides, it would appear to be virtually unworkable.

A north-south division of Vietnam at its narrow middle, apart from its political unacceptability to either side, would give the Viet Minh open access to the populous Tonkin delta, and thus completely upset the present precarious balance of manpower available to the two sides.

The Viet Minh is moving closer to its own objective of military victory. At the same time the limited war is helping to fulfill the Russian objective of weakening the West. The Soviet and Chinese Communist regimes probably estimate that current aid to the Viet Minh is sufficient to preserve Ho's capabilities without seriously risking Allied retaliation against China. Although the Korean war may well have reduced Orbit willingness to intervene on behalf of suffering "liberation" movements, the Viet Minh appears to be in no danger of extinction.

The Chinese Communists can be expected to maintain a common front with Moscow and the Viet Minh, whether the strategy calls for increased militancy, a continued indecisive conflict, or a new emphasis on political forms of action. Finally, Moscow's position that the war in Indochina is simply one of national struggle versus Western imperialism precludes the employment of a truce offer there as a tactic in any Soviet peace offensive.

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## TROUBLE SIGNS IN THE SUDAN

The break-up of the coalition of Sudanese political parties first intimated on 16 April and the withdrawal on 7 June of the pro-Egyptian Sudanese member from the electoral commission suggest that the October parliamentary elections will be a trial of individual party strength in which no single group will obtain a majority. The resultant ineffectual parliament would make the path to Sudanese independence more difficult.

An informal coalition of Sudanese parties was formed in January when Egypt succeeded in obtaining their united support for early Sudanese self-determination and the removal of all British influence. The Anglo-Egyptian agreement of 12 February, which provided for Sudanese self-government and self-determination within three years, was made possible by Egypt's dropping its traditional claim to full sovereignty over the Sudan, never recognized by Britain, and accepting the principle of complete independence. Britain in turn agreed to an accelerated advance toward self-determination and the reduction of British powers in the interim.

Egypt since the signing of that agreement has sought to induce individual Sudanese parties to submerge their own interests in favor of a united effort to reduce British influence in the Sudan. At the same time, it has tried to strengthen the position of the Egyptian-sponsored, pro-union Nationalist Unity Party (NUP).

The Umma party, which stands for complete independence and is the strongest political group in the Sudan, is estimated to have the support of approximately 40 percent of the voters, and NUP supporters are believed to amount to slightly less than that figure. Either party alone, therefore, would depend on the support of the smaller splinter groups to obtain a slim working majority.

The Umma, which is the political vehicle of the influential Ansar religious sect, joined in a coalition with the NUP in January. The Umma leaders soon became aware, however, that their party was being threatened by Egypt's interference in Sudanese politics and its cash subsidies to the NUP. Therefore, in April, the Umma withdrew from the coalition in protest against Egyptian activities in the Sudan and sent a delegation to Cairo to lodge an official complaint. It has reportedly threatened to initiate an anti-Egyptian campaign unless Egypt refrains from further interference in Sudanese politics. There are no indications that the Nagib government intends to alter its tactics.

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The NUP is now largely dependent on the Khatmia religious sect, rival to the Ansar, for its popular support. Khatmia apparently continues in the NUP primarily because of its opposition to the Ansar rather than from desire for union with Egypt. The collapse of the coalition and the Umma's growing opposition to Egypt have seriously lessened the influence of the NUP and the pro-union movement. Britain has watched these recent developments with satisfaction since it has always maintained that Egypt would eventually lose some of its influence in the Sudan by overplaying its hand.

The proclamation of the Egyptian republic was reportedly greeted with enthusiasm in the Sudan. The appointment of Major Saleh Salam as Egyptian minister of Sudanese affairs, however, may have repercussions, since he is not popular with pro-independence elements.

Recent NUP charges of partiality against the Indian chairman of the international electoral commission and the withdrawal of both its representative and the Egyptian member from the commission on 7 June may reflect an intention to disavow the elections in the event of defeat. The British Foreign Office believes that the withdrawals may be permanent and fears that a suggestion to dissolve the commission may follow. If Egypt and the unionists decide to boycott either the fall elections or the resultant parliament, the entire British-Egyptian agreement would be placed in jeopardy.

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## INDIAN POLICY DISCOURAGES FOREIGN INVESTMENTS

Since India became independent in 1947, its intense nationalistic pride, sensitivity to imagined threats of foreign domination, and its leaders' socialistic inclinations have led to the development of economic policies which discourage private foreign capital from investing in Indian industry. The net effect of these policies, in view of the inadequacy of India's own resources, will be to place dependence for improving Indian economic conditions largely on the shoulders of foreign governments.

Typical of India's basic attitude is that toward a fundamental treaty of friendship, commerce, and navigation with the United States, without the protection of which American investors are hesitant to risk funds. In negotiations for this treaty, which began in 1949, and are now deadlocked, India has balked at free selection by American investors of industries in which they wish to place their capital, and on the right of an investor to withdraw his capital from the country. It has insisted on screening all prospective investors and weeding out those who might compete with Indians, and it has disagreed with the United States on just compensation in the event of nationalization.

Meanwhile, urged by Indian businessmen seeking protection for their industries, the government is trying to minimize foreign competition in such fields as automobile manufacture. In April 1952 it ceased issuing import licenses to General Motors and Ford assembly plants, the largest and best-equipped in India, thereby threatening them with closure. On 31 May 1953, it announced that seven foreign automotive assembly firms, including these two, would be given three years to cease all assembly operations, to close their plants, or to turn to alternative work such as manufacturing component parts. Five Indian firms are to take over all automobile assembly work.

Both the manager of General Motors in Bombay and the Indian commerce minister doubt that Indian companies have the financial or technical ability to carry on successful operations though their rated capacity is greater than India's present needs. The fate of this industry might, therefore, be similar to that of the Indian airlines, which were nationalized in 1953 when they failed to operate profitably under private Indian management.

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Various other practices also discourage foreign investors. Chief among these is that of insisting on the Indianization of local staffs and the training of Indians to take over from foreign administrators. A related problem is the difficulty faced by non-Commonwealth citizens in obtaining visas to work in India. Visa applications must contain extensive justification, stating that no Indian qualified to do the job has been found but that steps are being taken to train an Indian for the post. In considering a visa application, the Indian government also considers the effect on the economy if the foreigner were to transfer funds to his home country during his stay in India.

Another request already made of foreigners, but not yet officially enforced, is that non-Indian firms place at least 50 percent of their insurance with Indian insurance companies. There are indications that this suggestion, together with the Indianization requirement, will be implemented by threats to withhold trade licenses from firms not complying with the regulations.

Official statistics published by a leading Indian economic journal indicate the extent to which foreign investors, especially Americans, have been discouraged by Indian policies. The journal lists only 108 new projects involving private foreign capital approved by the government from the beginning of 1948 to the middle of 1952, of which 69 were British and only 13 American. Total private foreign capital invested in this period was only \$115,857,000 and American capital only \$40,257,000. In comparison, the Indian Five-Year Plan, scheduled to be completed by 1956, contains a minimum discrepancy of \$650,000,000 between funds required and funds available from all foreseeable sources.

It is unlikely that the tendency toward nationalization of industry will diminish despite the Indian government's oft-repeated claims that it wishes to encourage foreign investment. It therefore appears that private foreign capital will play little part in fulfilling the Five-Year Plan.

Since even Indian capital hesitates to take risks under present conditions, India presumably will become more and more dependent on foreign governments for funds. The American government, as the most likely source of financial and technical aid, may be requested, therefore, to assume an increasingly large share of the burden.

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